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The grain embargo *did* pinch the Russians

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The US embargo on grain and fertilizer shipments to the Soviet Union has now been lifted by the Reagan administration, with farmers and international bankers having argued increasingly for repeal. The repeal position was supported by arguments that the US farm situation and foreign trade balance were being hurt by the embargo while the Soviet Union was not.

The last claim is based on the fact that, whereas President Carter's embargo applied to about 17 million tons of wheat and feed grains then on order, the Soviet Union succeeded in replacing about 15 million tons by imports from other producing countries such as Argentina and by reducing its own exports to its East-bloc cousins which were never embargoed and which could import freely from the West.

But this comparison sharply understates the effect of the embargo as a weapon in the international political arena since it fails to take account of three extremely important factors:

1. The replacement grain that the Soviets succeeded in acquiring from Argentina and elsewhere consists principally of wheat (with a very small tonnage of soybeans from Brazil) while the embargoed 17 million tons included 13 million tons of corn (11.5 million tons) and soybeans and derivatives, i.e. animal feeds: wheat is an expensive way to fatten cattle. And even allowing for the fact that meat imports more than tripled, reducing the necessary feed imports while raising domestic consumption about 3.5 percent, Soviet meat consumption now and in the future will suffer since animals are being slaughtered at lower weights, repressing the already low levels of per capita meat consumption.

2. In January 1980 the US Department of Agriculture estimated that the Soviets would go to market for about 35 million tons, including about 25 million from the US. (The US sales were to include 8 million tons as part of a five-year contract due to expire in 1981. This tonnage was not embargoed.) In the event, the harvest was much worse than expected at that time — about 55 million tons short of planned harvest and 60 million tons below the previous year's record. Thus the Soviet grain managers would have gone back to the market for perhaps another 15-20 million tons which would be necessary to maintain livestock herds, including 8-10 million tons from the US. With reduced feed availability, the average slaughterweight of cattle and hogs fell by 5 and 8 percent respectively between 1978 and 1980.

3. Almost all evaluations of the success of the embargo have concentrated on short-term phenomena. But a look at the longer-term trends in Soviet agriculture is necessary to appreciate just how fragile the sector is and the implications of not having recourse to the safety valve of foreign supply.

This fragility is nowhere better attested to than by the extraordinary year-to-year fluctuations in output: while in good years the Soviets are the world's largest wheat producer and second largest grain producer, and while their total grain output has grown somewhat faster on average than US production in the last 15 years, US growth is relatively stable while Soviet growth is marked by severe shocks. This is shown best by the 63 percent increase in Soviet production in 1976 which followed decreases of 15 percent and 30 percent in the two previous years.

Moreover, against the backdrop of Khrushchev's 1960 promise to more than triple meat output by 1980, the Soviet Union has in fact raised production by only about 65 percent, or 2 percent per capita per annum! Its meat consumption is still the lowest of all the East-bloc countries, exceeded by 28-65 percent by four others and by 12 percent by Bulgaria. Counting fish, the Soviet consumer barely surpasses the Bulgarian.

Furthermore, the Soviet consumption GNP ratio during the 10th Five-Year Plan, just ended, had already fallen by 3-4 percentage points as compared with the previous quinquennium, according to CIA estimates. Thus there is little consumption fat to cut out of GNP to use to boost agriculture and, if food consumption were to be increased and stabilized without access to the US market, massive investments would be required, some of which would have to come out of military expenditures.

Put another way, the Soviets can afford their foreign adventurism only with help of the far more productive US agricultural sector to make up for their own agricultural shortcomings.

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